

Message Text

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FM SECSTATE WASHDC

TO USDEL SECRETARY IMMEDIATE

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FOLLOWING SENT ACTION SECSTATE WASHDC INFO BANGKOK PARIS
UDORN SYDNEY FROM VIENTIANE 19 MAY 75:

QUOTE LIMITED OFFICIAL USE VIENTIANE 3515

SYDNEY FOR ASSISTANT SECRETARY HABIB

E.O. 11652: N/A

TAGS: PFOR, EAID, LA, US

SUBJECT: DISCUSSION WITH FOREIGN MINISTER ON AID AND USAID

REF: VIENTIANE 3507

BEGIN SUMMARY. CHARGE AND ACTING USAID DIRECTOR MET WITH
FOREIGN MINISTER MAY 19 TO DISCUSS ENTIRE SCOPE OF AMERI-
CAN AID PROGRAM IN LAOS. WE INDICATED THAT IN PRESENT
CIRCUMSTANCES IT WAS EVIDENT BOTH LAO AND U.S. GOVERN-
MENTS WOULD WISH TO REVIEW RELATIONS PARTICULARLY AID.
WE EMPHASIZED TWO POINTS: A) NO AID HAD BEEN SUPPLIED
EXCEPT WITH CONCURRENCE OF LAO GOVERNMENT AND B) U.S.
LAW PROHIBITED AID WITHOUT SOME OBSERVATION AND AUDIT.

PHOUMI MADE FOLLOWING POINTS REGARDING PGNU ATTITUDE
TOWARD U.S. ASSISTANCE: A) PGNU WANTS AID TO CONTINUE;
B) PGNU WANTS TO REVIEW SOME PROVISIONS OF 1951 ECONOMIC
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AGREEMENT; C) PGNU WANTS USAID AS A SEPARATE ORGANISM
ABOLISHED; D) PGNU WANTS EXPERTS ASSIGNED TO SEPARATE
MINISTRIES UNDER MINISTERS; AND E) PGNU ENVISAGES
ECONOMIC DEVELOPMENT PROCEEDING THROUGH TWO YEAR HEALING

PHASE TO THREE TEAR AGRICULTURAL PHASE. AFTER THAT A FIVE-YEAR PLAN WOULD BE UNDERTAKEN TO EXPLOIT MINERALS AND OTHER RESOURCES. PHOUMI ALSO REPORTED CRITICISMS OF ALLEGED HIGH WAGES OF USAID LOCAL EMPLOYEES AND ITS USE AS A CONDUIT FOR MILITARY ASSISTANCE. WE EXPLAINED SALARY SCALES AND DENIED OTHER ALLEGATION.

WE URGED JOINT LAO-US REVIEW OF ALL MATTERS RELEVANT TO AID TO BE CONDUCTED AS SOON AS POSSIBLE. WE ALSO SUGGESTED PUBLIC ANNOUNCEMENT OF THIS BE MADE OF THESE CONVERSATIONS. PHOUMI SAID HE UNDERSTOOD AND WOULD SUBMIT REPORT TO CABINET (NEXT MEETING MAY 21) AND WOULD PERHAPS MAKE STATEMENT TO PRESS AFTERWARDS. WE MADE CLEAR THAT WE HAD NO AUTHORITY TO MAKE ANY AGREEMENTS, BUT WE NEEDED CONCRETE GOVERNMENT PROPOSALS TO PRESENT TO WASHINGTON.

REQUEST GUIDANCE. END SUMMARY.

1. ACTING DIRECTOR OF USAID, GORDON RAMSEY, AND I MET WITH FOREIGN MINISTER PHOUMI VONGVICHIT LATE AFTERNOON MAY 19 FOR OVER ONE HOUR. WE OPENED CONVERSATION BY EXPRESSING APPRECIATION FOR THE MEETING. WE SAID THAT LAOS HAD BEEN GOING THROUGH A TROUBLED PERIOD FOR OVER A MONTH; THE GOVERNMENT HAD CHANGED SUBSTANTIALLY; BUT IT WAS OUR UNDERSTANDING FROM HIM AND OTHER MINISTERS THAT THE PGNU STILL WANTED THE U.S. TO CONTINUE PROVIDING AID. AT THE SAME TIME, WE HAD WITNESSED DEMONSTRATIONS IN VIENTIANE, LUANG PRABANG, PAKSE AND SAVANNAKHET AGAINST THE MISSION THAT DISPENSES AID. WE HAVE, AS A RESULT, WITHDRAWN ALL AMERICANS FROM THE PROVINCES EXCEPT THOSE IN SAVANNAKHET WHO ARE STILL BEING HELD PRISONERS AND TWO AT XIENG NGUEN WHO ARE COMPLETING A ROAD PROJECT SPECIFICALLY APPROVED BY MINISTER OF PUBLIC WORKS IINGKAPO. UNDER THE CIRCUMSTANCES, IT HAS BECOME APPARENT THAT BOTH THE LAO AND AMERICAN GOVERNMENTS WILL WISH TO REVIEW THEIR RELATIONS AND LIMITED OFFICIAL USE
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SPECIFICALLY THE ISSUE OF AID. WE HAD THEREFORE PROVIDED THE FOREIGN MINISTER WITH A SUMMARY OF THE AID PROGRAMS AND WERE HERE TO ANSWER ANY QUESTIONS THAT HE MIGHT HAVE AND EXPLORE WITH HIM HOW WE MIGHT MOVE AHEAD. WE WANTED TO EMPHASIZE TWO POINTS: A) THAT NO AID HAD BEEN PROVIDED LAOS WITHOUT THE SPECIFIC CONCURRENCE OF THE ROYAL LAO GOVERNMENT AND B) THAT U.S. LEGISLATION PROHIBITED GIVING AID WITHOUT A MEASURE OF OBSERVATION AND AUDIT. THIS LEGAL PROVISION HAD BEEN IN EFFECT FOR AS LONG AS U.S. HAD PROVIDED AID, WHICH WAS NEARLY 30 YEARS, AND WAS APPLICABLE TO AID TO ALL COUNTRIES, WHICH NUMBERED OVER THE YEARS OVER 100.

2. IN THE ENSUING CONVERSATION, PHOUMI EXPLICITLY REVEALED FOR THE FIRST TIME THE THINKING OF LPF ON THIS WHOLE SUBJECT. HE SAID THAT HE HAD DISCUSSED THE MATTER WITH PRIME MINISTER WHO WAS IN AGREEMENT. IN SUMMARY, THESE ARE ESSENTIAL POINTS HE MADE:

A. PGNU DOES WANT AMERICAN AID TO CONTINUE.

B. BUT PGNU WANTS A REVIEW OF THE 1951 ECONOMIC ASSISTANCE BILATERAL AGREEMENT, PARTICULARLY AS REGARDS ARTICLES 2 4 AND 5.

C. PGNU WANTS TO DO AWAY WITH USAID AS A SEPARATE ORGANISM. LAO PEOPLE FELT THAT USAID WAS "A STATE WITHIN A STATE" AND "SUPERVISED" WORK OF GOVERNMENT.

D. INSTEAD, PGNU WANTS AMERICAN EXPERTS TO BE ASSIGNED TO MINISTRIES WORKING UNDER MINISTERS AND ON PROJECTS MUTUALLY AGREED. THESE EXPERTS WILL WORK WITH NO BACKSTOP ADMINISTRATIVE ORGANIZATION IN COUNTRY TO WHOM THEY WOULD REPORT. PHOUMI SAID THAT THE PGNU WOULD BE RESPONSIBLE FOR PROVIDING HOUSING AND SUPPORT, AND U.S. PAY SALARIES, "AS IS DONE BY THE FRENCH," HE EXPLAINED.

E. AS "WE" ENVISAGE IT, PHOUMI SAID, LAOS NEEDS A PERIOD OF TWO YEARS TO HEAL THE WOUNDS OF WAR. THIS WOULD BE FOLLOWED BY THREE YEARS OF DEVELOPING AGRICULTURE LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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AND FORESTRY. LAOS NEEDS TO MECHANIZE SOMEWHAT ITS AGRICULTURE AND INSURE TREES ARE PLANTED, PHOUMI CONTINUED. FOR INSTANCE, INSTEAD OF WORKING SMALL RICE FIELDS, LARGE AREAS OF HILL RICE SHOULD BE SOWN LIKE WHEAT WITH MACHINES. SMALL MACHINES SHOULD BE INTRODUCED TO INCREASE OUTPUT OF INDIVIDUAL WEAVERS. BY THE END OF THE FIFTH YEAR, A FIVE-YEAR PLAN SHOULD HAVE BEEN PREPARED TO UNDERTAKE LARGE SCALE EXPLOITATION OF MINERAL AND ALL OTHER RESOURCES OF COUNTRY.

3. IN COURSE OF DISCUSSION, PHOUMI BROUGHT UP SEVERAL OTHER POINTS WHICH HE SAID "PERSONS" MADE ABOUT USAID. THE MOST IMPORTANT SEEMED TO BE THAT THE MISSION PAID ITS LAO EMPLOYEES HIGHER WAGES THAN DID THE GOVERNMENT AND THESE EMPLOYEES THEN REFUSED TO GO INTO MINISTRIES AT LESSER SALARIES. WE SOUGHT TO EXPLAIN OF COURSE THAT GOVERNMENT EMPLOYEES RECEIVED SOCIAL SECURITY (MEDICAL AND RETIREMENT), RICE, HOUSES AND CARS (IN UPPER ECHELONS)-NONE OF WHICH BENEFITS WERE ENJOYED BY MISSION LOCAL EMPLOYEES. THE HIGHER SALARIES WERE

COMPENSATION FOR SUCH BENEFITS THE LAO GOVERNMENT GIVES BUT WHICH DO NOT SHOW UP IN THE PAYCHECK. HE ALSO SAID THAT USAID DISPENSED MILITARY ASSISTANCE (WHICH WE CATEGORICALLY DENIED) AND THAT ARMS FOR "IRREGULAR FORCES" WERE IN USAID WAREHOUSES. WE INSTANTLY OFFERED TO ZWZE JMB VYLSO AUTHORITY BY PHOUMI THROUGH ALL WAREHOUSES.

4. WE MADE CLEAR TO PHOUMI THAT WE WERE PREPARED TO DISCUSS ANY MATTER RELEVANT TO AID THE PGNU WISHED TO RAISE. WE PROPOSED THAT A JOINT WORKING GROUP BE ORGANIZED TO CARRY OUT THESE DISCUSSIONS IN CONCRETE AND ORDERLY WAY. WE URGED THAT WE PROCEED RAPIDLY AS FISCAL YEAR ALMOST OVER AND DECISIONS ON NEXT YEAR'S AID NEEDED TO BE MADE VERY SOON. HOWEVER, WE MADE CLEAR THAT WE HAD NO AUTHORITY FROM WASHINGTON TO AGREE TO ANYTHING. WE NEEDED TO PRESENT CONCRETE PROPOSALS BY PGNU. WE ALSO POINTED OUT THAT THE BILATERAL AGREEMENT WAS CONSIDERED A TREATY BETWEEN COUNTRIES AND THAT ITS RENEGOTIATION WAS A SUBJECT ONLY WASHINGTON COULD AUTHORIZE.

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5. FINALLY, WE ASKED PHOUMI WHETHER A PUBLIC ANNOUNCEMENT COULD BE MADE THAT PGNU HAD RAISED QUESTION OF AID WITH USG AND CONVERSATIONS ON MATTER WERE UNDER WAY.

6. PHOUMI UNDERSTOOD ALL THIS AND SAID HE WOULD SUBMIT A REPORT TO THE CABINET (WHICH MEETS WEDNESDAY AFTERNOON - NEXT MEETING BEING MAY 21) AND PERHAPS HE WOULD MAKE STATEMENT TO PRESS AFTERWARDS.

7 COMMENT:

A. RAMSEY AND I BELIEVE DISCUSSIONS ON FULL RANGE OF AID RELATIONS, INCLUDING BILATERAL AGREEMENT, IS THE ONLY WAY TO PROCEED. WE BELIEVE THEY SHOULD BE UNDERTAKEN AS SOON AS POSSIBLE. TALKING OUT ISSUES SHOULD BE EDUCATIONAL FOR THE PGNU, AND HOPEFULLY RELIEVE SOME OF THE PRESSURES ON USAID. THEY WILL ALSO PROVIDE A BASIS ON WHICH WASHINGTON CAN DETERMINE OUR FUTURE RELATIONS WITH LAOS. WE HAVE IN NO WAY PREJUDICED WASHINGTON DECISIONS.

B. WOULD APPRECIATE GUIDANCE AND SPECIFICALLY AUTHORITY THAT USG WILLING TO REVIEW THE BILATERAL AGREEMENT. CHAPMAN UNQUOTE INGERSOLL

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